

Impacts of the Kalamazoo Promise (November 27, 2007 presentation to House Education Committee by Timothy Bartik, Senior Economist, W.E. Upjohn Institute for Employment Research, and Board Trustee, Kalamazoo Public Schools)

Impacts on the Educational System

- **Increased Kalamazoo enrollment by at least 11%.** Enrollment up from 10,100 pre-Promise (fall 2005) to about 11,300 in fall of 2007, after declining by over 800 students from the fall of 2002 to the fall of 2005.
- **Increased Kalamazoo graduates by at least 16%, and by over 40% for African-Americans.**
- **Increased percentage of Kalamazoo graduates applying to college by 7%, so total college attendees probably increased by at least one-quarter.** (16% increase in grads plus 7% increase in applications plus unknown increase in attendance given application.)
- **Decrease in out-of-state college attendance.** Decrease from about 8% of graduates to about 3%.
- **Increased enrollment in University of Michigan, Michigan State.** Doubling of KPS enrollment at these two schools, from about 8% of total KPS graduates to about 16%. Switch of students from non-attendance to KVCC, from KVCC to WMU, from WMU to U of M and MSU.
- **Retention rates in college appear to be above-average.** Of Promise class of 2006, 2nd-year enrollment (as of fall 2007) in community college is about 59% of first-year enrollment; 2nd year enrollment in 4-year colleges is about 85% of first-year enrollment. These numbers are biased upwards by students enrolling for first time or switching colleges, but still appear to be above national averages. (In nation, 50-55% of 2-year college students return for second year, 70-75% of 4-year college students return for 2nd year).

Impacts on the Economy

- **Property values may be higher because of Promise, but impact uncertain.** Some sign that property values are higher due to Promise, controlling for other housing characteristics and housing market trends, but estimated “Promise effect” is as of yet statistically insignificant.
- **Anecdotal evidence indicates some increase in in-migration of families with “flexible location jobs” (Not just self-employed, also regional sales reps, or anyone who works out of home or is on the road).** An increase of 100 persons who bring their jobs with them is similar in its economic impact to attracting a 100-employee company: has similar multiplier effects on business supplies and retailers.
- **Substitution of in-state for out-of-state colleges will boost Michigan’s short-run labor demand, and long-run labor supply.** Of a state’s residents who attend college out-of-state, 45% will end up in home state by age 32; this percentage increases to 73% if attend college in-state.
- **Increases in high school graduation rate and college graduation rate will boost state economy.** Employment rates and wage rates will significantly increase with higher educational attainment. Converting a high school dropout to a high school graduate increases average annual earnings by about \$9,000; converting a high school graduate only to an associates degree increases average annual earnings by about \$7,000; converting a high school graduate only to a bachelors’ degree (and no higher degree) increases average annual earnings by \$19,000. Migration statistics indicate that most state residents with college degree in a state will stay in state for most of their career. Economic evidence indicates that most of a labor supply increase to a state economy is matched by an increase in labor demand. Therefore, increases in high school graduation rate and college graduation rate will significantly increase state earnings and gross state product.
- **Benefits of Kalamazoo Promise are most intense in Kalamazoo, but a significant proportion of benefits are “spillover benefits” for rest of state.** For example, Kalamazoo Promise may have benefits for Ann Arbor and Lansing economies, to the extent U of M and MSU can expand enrollment with same quality of students. Although many of extra high school graduates and college graduates will stay in state, they may not stay in Kalamazoo.